

Message Text

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ACTION ARA-10

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 3289

C O N F I D E N T I A L SECTION 1 OF 2 TEGUCIGALPA 2249

E.O. 11652: GDS

TAGS: PGOV, AGR, HO

SUBJECT: GOH DECISION MAKING

BEGIN SUMMARY: NATIONAL POLICY DECISIONS MADE BETWEEN VOLLEYBALL MATCHES. AN EXAMPLE: SOME DEVELOPMENTS IN THE ISLETA EMPRESA ASOCIATIVA AND BANANAS. THE RULE OF MEN RATHER THAN LAW. THE BEST PLAYERS. END SUMMARY.

1. BEN VILLANUEVA, PRESIDENT OF THE HONDURAN BANANA CORPORATION COHBANAL, WALKED DELIBERATELY INTO THE HOME CONVERTED TO A RESTAURANT CALLED THE CHICO CLUB. HE JOINED THE ECONOMIC OFFICER AT A TABLE, LETTING HIMSELF DOWN WITH GREAT CARE. HE EXPLAINED HE WAS SORE FROM THE EXERTIONS OF A NUMBER OF WEEKEND VOLLEYBALL GAMES. IN RESPONSE TO QUESTIONS, THERE EVOLVED AN INTERESTING DESCRIPTION OF HIS PAST WEEKEND.

2. A SERIES OF ECONOMIC CABINET MEETINGS WERE HELD SATURDAY AND SUNDAY, MAY 1 AND 2, AT A LOCAL MILITARY FACILITY. PARTICIPANTS INCLUDED CHIEF OF STATE MELGAR, ADVISER BATRES, BUESO OFIYE CENTRAL BANK, ZAVALA OF TREASURY, CALLEJAS OF NATURAL RESOURCES, DIAZ OF ECONOMY, SANDOVAL OF THE AGRARIAN REFORM INSTITUTE, VILLANUEVA OF COHBANA AND OTHERS NOT NAMED. THE MEETINGS WERE INFORMAL BUT A PATTERN WAS FOLLOWED. DISCUSSION ON AN ISSUE WAS
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INITIATED BY A MINISTER OR FROM A QUESTION DIRECTED BY

THE CHIEF OF STATE. DISCUSSION ISSUES OFTEN WERE NOT ON THE AGENDA, NOR WERE STAFF PAPERS CIRCULATED, OR EVEN PREPARED IN MOST CASES. DISCUSSION WAS OPEN TO ALL PRESENT, WHETHER OR NOT THE ISSUE WAS DIRECTLY RELATED TO A PARTICIPANT'S PORTFOLIO. DECISIONS WERE BY CONSENSUS, SOMETIMES FOLLOWING AN ORAL SUMMARY. DECISIONS WERE NOT WRITTEN, ALTHOUGH INDIVIDUALS COULD TAKE NOTES.

3. AS A SPECIFIC EXAMPLE, VILLANUEVA CITED AN ISSUE HE RAISED AND ON WHICH HE PROVIDED THE BACKGROUND. THE EMPRESA ASOCIATIVA ESTABLISHED BY THE AGRARIAN REFORM INSTITUTE (INA) AT ISLETA, THE FORMER STANDARD FRUIT PLANTATION, IS RUN BY COMMUNISTS, HE SAID. IN THE PAST SIX MONTHS, THE HONDURAN BANANA CORPORATION (COHBANA) HAS HIRED AWAY FRUIT COMPANY EXPERTS, ALL HONDURANS, TO PROVIDE TECHNICAL AND MANAGERIAL ASSISTANCE TO THE EMPRESA ASOCIATIVA. IN ADDITION, COHBANA HAS OBTAINED \$250,000 IN IRRIGATION AND INFRASTRUCTURE EQUIPMENT THROUGH STANDARD FRUIT AND \$1,000,000 IN FERTILIZER, AMONG ITS OTHER INPUTS TO THE PLANTATION. INA, LIKEWISE, HAS ADVANCED CONSIDERABLE ASSISTANCE. STANDARD FRUIT HAS BEEN PROVIDING SERVICES IN PACKING MATERIALS, EQUIPMENT AND TRANSPORTATION. IT PURCHASES ALL THE OUTPUT OF THE PLANTATION. (STANDARD'S MANAGER STATES THE COMPANY IS DOING EVERYTHING POSSIBLE TO AVOID CONFLICT OR BLAME FOR BEING UNCOOPERATIVE RELATIVE TO ISLETA.) VILLANUEVA RELATES HE HAS HAD NUMEROUS DEALINGS WITH THE MANAGER OF THE ISLETA'S EMPRESA ASOCIATIVA. FOUR MONTHS AGO, THE MANAGER WAS SOLICITOUS, RESPECTFUL AND HUMBLE TOWARD VILLANUEVA. QUITE RECENTLY, THE MANAGER DROVE UP TO THE TEGUCIGALPA OFFICE OF COHBANA IN A NEW CAR. VILLANUEVA WAS SLIGHTLY LATE IN ARRIVING AT HIS OFFICE, BUT IMMEDIATELY RECEIVED THE ASOCIATIVA MANAGER. THE LATTER PROMPTLY BEGAN LECTURING VILLANUEVA ON THE DUTIES OF GOVERNMENT OFFICIALS TO BE IN THEIR OFFICE DURING LEGALLY ESTABLISHED HOURS AND TO BE FULLY AVAILABLE TO VISITORS WHO HAVE TIME LIMITATIONS AND OTHER IMPORTANT RESPONSIBILITIES (A URIAH HEPP SYNDROME).

4. THE FACT OF THE NEW CAR SUBSEQUENTLY LED VILLANUEVA TO SEEK INFORMATION ON THE FINANCES OF THE EMPRESA ASOCIATIVA.

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IT HAS MADE LARGE PURCHASES OF TRACTORS AND OTHER VEHICLES AND EQUIPMENT FROM LOCAL SUPPLIERS AND IS SEEKING TO PURCHASE A LIGHT AIRCRAFT "FOR EXECUTIVE USE". COHBANA AUDITORS BELIEVE PRICES PAID TO SUPPLIERS ARE EXORBITANT, BUT RECEIVE NO COOPERATION FROM THEM OR THE ASOCIATIVA WHEN SEEKING PRICE INFORMATION. THE PRESUMPTION IS THAT KICK-BACKS ARE OCCURRING. CASH FLOW TO THE ASOCIATIVA HAS BEEN FROM DIRECT PAYMENTS FROM STANDARD FRUIT FOR DE-

LIVERED BANANAS. NO DEDUCTION OF COSTS OF SUPPLIERS OR SERVICES HAS BEEN WITHHELD BY STANDARD. PAYMENTS SHOULD BE ABOUT \$12.5 MILLION IN A YEAR'S PERIOD. NOR HAVE ANY PAYMENTS BEEN MADE TO COHBANA OR INA FROM THE INCOME. IT WAS NOT CLEAR WHETHER THE EXPORT TAX HAD BEEN PAID TO TREASURY. VILLANUEVA REPORTED TO THE CABINET THAT THE COMMUNIST AND OTHER ADVISERS WHICH HAVE BEEN FIRED OR RELEASED IN THE PAST FEW MONTHS IN A HOUSE CLEANING BY INA HAVE BEEN HIRED BY THE ISLETA'S EMPRESA ASOCIATIVA IN VARIOUS CAPACITIES, ALTHOUGH MOST HAVE NOT MOVED TO THE PLANTATION.

5. THERE WAS FREE DISCUSSION AMONG THE CABINET ON THESE AND OTHER POINTS RAISED BY VILLANUEVA, AT WHICH POINT HE PRESENTED HIS PROJECTED COURSE OF ACTION: THE AUDIT WOULD BE PURSUED AND AN ATTEMPT MADE TO BLOCK THE ASOCIATIVA'S EXPENDITURES; A REVISION OF THE PAYMENT SYSTEM BY STANDARD WOULD BE SOUGHT AND INA WOULD ASSIST IN DEVELOPING BETTER FINANCIAL CONTROL WITHIN THE ASOCIATIVA. INA WOULD SEEK DIVISION OF THE ASOCIATIVA INTO NINE UNITS (THERE ARE TRADITIONALLY NINE FARMS OF ABOUT 500 ACRES EACH) IN ORDER TO REDUCE THE CONTROL OF THE PRESENT LEADERSHIP. THERE WAS EXPRESSED CONCURRENCE AMONG THOSE PRESENT, BUT NO AGREED

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PAPER, OR ANY PAPER FOR THAT MATTER. VILLANUEVA HAD ADVISED THE CABINET OF HIS PROBLEM AND INTENDED COURSE. A LOOSE CONSENSUS WAS THUS OBTAINED, AND HE STATED HE WOULD

PROCEED.

6. ALTHOUGH THE ISLETA PROBLEMS STEM IN PART FROM THE CONFUSIONS AND INCONSISTENCIES OF THE AGRARIAN REFORM LAW, ACCORDING TO VILLANUEVA, NO CHANGE IN THE LAW WILL BE MADE. IT IS UP TO INA'S DIRECTOR SANDOVAL TO EXERCISE HIS OFFICE THROUGH THE ACTUAL DECISIONS TO BE MADE. (SEPARATELY, A SOURCE REPORTS THAT CHIEF OF STATE MELGAR ASSURED RIVERA GIRON OF THE PRIVATE SECTOR ORGANIZATION (COHEP) THAT SANDOVAL WOULD RATIONALLY ADMINISTER AGRARIAN REFORM AND THAT TRUST IN THE GOVERNMENT ADMINISTRATOR RATHER THAN THE LETTER OF THE LAW SHOULD GUIDE THE PRIVATE SECTOR'S ATTITUDE.)

7. PRESENTATIONS BY OTHERS AT THE MEETINGS FOLLOWED IN THE SAME FORM. CHIEF OF STATE MELGAR WAS AN ACTIVE PARTICIPANT, EVEN-HANDED WITH THE OTHER PARTICIPANTS AND NON-AUTHORITARIAN IN HIS DECISIONS. THERE WAS A GENTLE DOMINANCE OF THE MEETINGS THROUGH CAPACITY AND PERSONALITY OF THE CENTRAL BANK'S BUESO AND ADVISER BATRES. THE LATTER OFTEN SUMMED UP THE SUBSTANCE OF DISCUSSIONS FOR THE GROUP. THE MEETINGS ADJOURNED THREE TIMES EACH DAY FOR VOLLEYBALL--THE CABINET FREQUENTLY WINNING

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AGAINST MILITARY PERSONNEL AT THE FACILITY. CALLEJAS IS THE OUTSTANDING ATHLETE, WITH ZAVALA VERY STRONG. VILLANUEVA IS OUT OF CONDITION. HE SAYS THE CHIEF OF STATE IS AN INTENSE PLAYER WHO COVERS HIS OWN AREA WELL AND CAN MAKE GOOD DEFENSIVE PLAYS.

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